



# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



## Drought Directive Update

October 11, 2012



# Background

- Directive of the President
  - August 13, 2012, U.S. Department of Defense Press Release
  - Accelerated purchases to provide relief to the drought stricken agriculture industry
  - DLA Troop Support to forward purchase beef/poultry/ pork/lamb/catfish and secure long-term proper storage

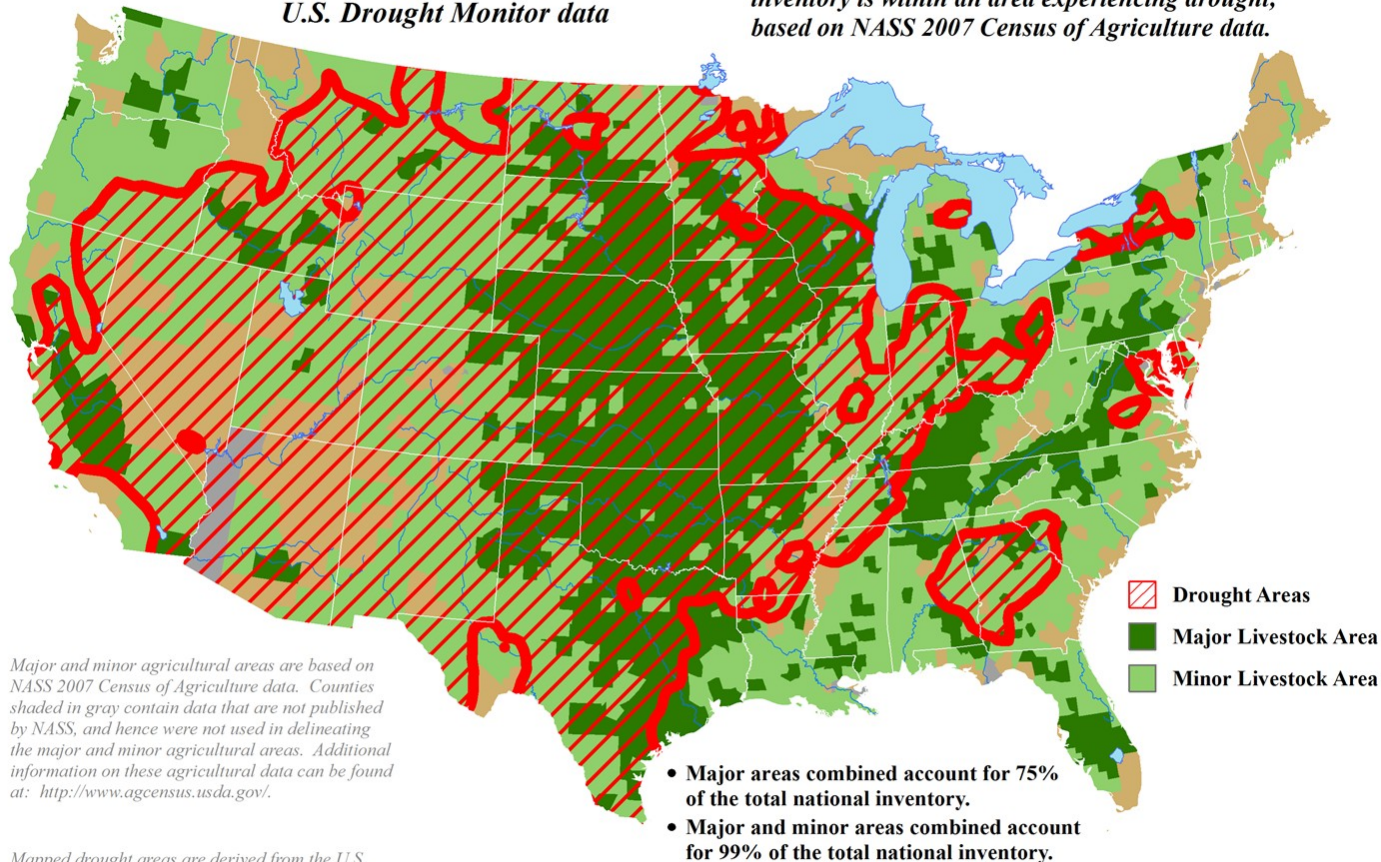


# Background

## U.S. Cattle Areas Experiencing Drought

Reflects *September 25, 2012*  
U.S. Drought Monitor data

Approximately **76%** of the domestic cattle inventory is within an area experiencing drought, based on NASS 2007 Census of Agriculture data.



Major and minor agricultural areas are based on NASS 2007 Census of Agriculture data. Counties shaded in gray contain data that are not published by NASS, and hence were not used in delineating the major and minor agricultural areas. Additional information on these agricultural data can be found at: <http://www.agcensus.usda.gov/>.

Mapped drought areas are derived from the U.S. Drought Monitor product and do not depict the intensity of drought in any particular location. More information on the Drought Monitor can be found at: <http://www.drought.unl.edu/dm/monitor.html>.

**Agricultural Weather Assessments**  
**World Agricultural Outlook Board**



# DLA Troop Support Drought Strategy

- Identified major SPV suppliers: OCONUS SPV Supreme Foodservice and CONUS SPVs Sysco Foods and US Foods
- Contract with all three suppliers to forward purchase and store
  - 6 months worth of product
- Items to be purchased are limited to high-demand items
- All products will be frozen to achieve maximum shelf-life



# Difference between the CONUS and OCONUS Model

## - OCONUS:

- No change to item pack sizes
- No “Lean Finely Textured Beef”
- Support small business wherever possible
- Title passes to the Government when product arrives at SPVs warehouses: Kabul, Bagram, and Helmand Regional Distribution Center (HRDC)
- Contracting Officer Representative (COR) to monitor and verify product count and storage time
- Customer billing: Separate billing for delivered price/distribution fee/storage fee

## - CONUS:

- Services concurred on using standard pack size for commodity items that is most prevalent in industry, i.e. 90/10 ground beef, 4/10 lb. packages
- Additional storage and handling fees
- No “Lean Finely Textured Beef”
- Support small business wherever possible
- Government does not own product until delivered to customer but does guarantee sale
- Sysco and US Foods to hold product at either manufacturers and or other cold storage warehouse
- Customer billing: no change



# Contract Actions to Date

## – OCONUS:

- Issued Contract Modification on September 27, 2012
- Purchased \$79.3M dollars of product/36 line items
- Total overall product cost savings: \$1.9M or 2.3%
- Additional \$3.94M in storage costs
- Product arrives in country end of February 2013
- First forty-five (45) days of storage - free of charge
- Storage fees begins mid April 2013

## – CONUS:

- Purchasing approximately \$10M dollars of product
- Negotiating with individual houses
- Supplier proposals are under evaluation. Proposals are being analyzed and negotiation objectives for additional storage prices are being developed.
- Award anticipated within the next few weeks



# Looking Ahead to 2013

-This is a Win-Win

- Farmers and ranchers will have an opportunity to sell more of their products at this critical time
- DoD will obtain better pricing on food that would have been purchased at a later date
- Future potential savings to offset the cost of storage